

WARNING-UNAPPROVED MINUTES

These minutes have not been reviewed or accepted by the RISLA Board of Directors. This draft is being supplied in order to be in compliance with the State Open Meetings Law. Board approved minutes will be submitted when available.

The 255th meeting of the Rhode Island Student Loan Authority was held on **Friday, June 6, 2008** in the 2nd floor Conference Room, 560 Jefferson Boulevard, Warwick, Rhode Island. Dr. Anthony Santoro called the meeting to order at 10:33 A.M.

Board Members in attendance:

Dr. Anthony Santoro
Dr. William Croasdale
Mr. John Howell
Dr. Robert McKenna
Mr. Frank Caprio, General Treasurer

Board Members absent:

Ms. Patti Doyle

Others in attendance:

Mr. Charles P. Kelley, Executive Director, RISLA
Mr. Noel Simpson, Chief Financial Officer, RISLA
Mr. Joseph Palumbo, Attorney
Ms. Jennifer Dutch, RISLA
Mr. Kevan McAleer, RISLA
Ms. Karen Grande, Attorney
Mr. David Souto, RISLA
Mr. Chad Pastorius, RISLA
Ms. Gail Mance-Rios, RIHEAA
Ms. Nancy Dooley, RIHEAA
Mr. Xay Khamsyvoravong, Treasurer's Office
Mr. Peter Kerwin, Treasurer's Office

Action Item #1

Approval of minutes of previous meetings

Dr. Santoro asked for the approval of meeting minutes from the April 11 and April 25, 2008 Board of Directors meetings. On a motion made by Dr. McKenna, and seconded by Dr. Croasdale, it was unanimously

VOTED to approve the minutes from both meetings.

Chairman's Report

Dr. Santoro publicly thanked Treasurer Caprio for taking the time to travel to New York with Mr. Kelley & Mr. Simpson to work on the RIFEL loan funding. Mr. Caprio stated that he would like to commend the staff and Board for all their hard work on this.

Executive Director's Report

Mr. Kelley stated that Colorado has just done federal loans, but not private loans. SallieMae is getting close to putting a loan deal together also. Mr. Kelley informed the Board that the Sherlock Scholarship Award ceremony has been scheduled at the State House for Tuesday, June 24th at 6:00PM. Dr. Santoro stated that he would not be available to attend, but Dr. McKenna and Mr. Caprio both stated that they would be available. Mr. Kelley stated that RISLA just picked up both Babson College and LaSalle in Massachusetts, and that Mr. Hurry, Erin DiMaggio and Nancy Dooley will be traveling up to Babson on Tuesday.

Item #4

Results of Fixed Rate RIFEL Bond Issue

Mr. Kelley stated that RISLA has sold \$64Million in bonds. The sale took twice the amount of time on the closing date as it would normally. We issued bonds for private loans, and have a good track record and AAA rating which helped tremendously. The interest rate is 7.74% fixed – which is lower than the Federal direct loan program. To date under \$12Million in new loans have been disbursed. All of this was done without a single loan being made, all based on faith. The FICO score needed for these loans needs to be 725, and historically on average the FICO rate has been 760 for the past three years. We are tracking this weekly. The average default rate on RIFEL loans is just over 2%. There were only four principal buyers, which is a concern for Mr. Kelley. He stated that we need to do more to get the information out there. Dr. McKenna thanked both the staff and the Treasurer for their great work.

Action Item #5

Public Awareness Campaign for RIFEL loans

Mr. Kelley stated that there has been some controversy on a small number of schools promoting certain loans. Many people are being driven to the internet to find financing, so RISLA would like to use a combination of radio, print and television to promote the RIFEL loans. Out of the \$60 million available, RISLA has used about \$12 million so far. In normal circumstances, early June would see most of the money gone already, but with the current financial market it's not a normal year. Mr. Howell stated that perhaps Ms. Doyle should take a look at this proposal to offer her expertise. Mr. McKenna suggested that local Newport radio station WADK be included in the packet, and Dr. Croasdale suggested that perhaps Spanish television Telemundo and radio station 99.7 in Westerly should be included also. On a motion made by Dr. Croasdale, and seconded by Mr. Howell it was unanimously

VOTED to approve the public awareness media campaign with a \$130,000 cap.

Item #6

Federal Update/Reauthorization

Mr. Kelley stated that Senator Reed sent reauthorization information proposed by the Secretary of Education. Mr. Kelley stated that while not completed, this is one of the most rational and well thought out proposals he's seen from the DOE. The federal government proposes advance funding to state organizations providing student loans until September 30, 2009 for permanent funding and if states are not able to find private funding by then, the federal government will refinance the loans. If this proposal

goes through, RISLA will have to come back to the Board of Directors for approval. If the federal funding does not go through, the borrower benefits become null and void. If we sold our loans to the Department of Education, we would have to have disclaimers on our loans.

Item#7

Strategic Financing Plan for Federal Loans

Mr. Kelley stated that the priority is to refinance federal loans backed by AMBAC for the \$95 million in variable rate demand obligations. Both Dexia (located in Belgium) and State Street should have these done by mid-July. Additionally, RISLA needs to raise \$105 million in new financing, as Congress has increased the loan limits by \$2000. 78.2% of applicants currently borrow at the maximum amount, and with the addition, it could potentially be an additional \$24 million that RISLA would need to come up with. The other item on the table is the Nelnet \$57 million worth of loans RISLA agreed to sell to them. Nelnet decided to walk away from this and the ball is in our court on whether or not to keep them. Dr. Santoro stated that Lee Donner should be doing a written analysis for us about this. Is there a possibility of taking the new money and making it part of the 96 trust? Does the IRS have a reissuance issue? It is key to get the bond counsel to piggyback in the 95/96 trust; if not, we should go out with the new money. Lee Donner will have to shed some light on this for RISLA. Mr. Kelley stated that on the \$95 million for AMBAC we pay annually. We would still owe them the 2019/2026 insurance. Mr. Kelley stated that in a phone discussion last night with them, they stated that they would walk away and not charge us, but this is not in writing yet. This is a major concession on their part. Mr. Kelley also stated that we have put in for obtaining the tax exempt bond cap for \$74 million, but may need only \$69 million. Mr. Kelley has talked to Tom Hoag at Rhode Island Housing and he doesn't see any issue.

Action Item #8

Bond Issue Resolutions for next transaction

Karen Grande walked through the proposed \$105 million revenue bonds hand out in the Board package. In Section #1, intention is that some will be tax exempt and some taxable. Authorize can pay cost of issuance - \$4.5 million for cap interest in bonds. Section #2, CitiGroup is the underwriter, and US Bank is the trustee and tender agent. Section #3 includes standard agreements and disclosure documents; Section #4 authorizes the sale of the bonds with a maximum rate of 12%, underwriter fee of \$6.50 per \$1000, and both the Chairman and Executive Director can increase the rate to a maximum of 15%. Section #5 enters into guarantee agreements, and Section #6 is the resolution upon passage. Dr. Santoro asked for clarification – does the resolution give the Executive Director, acting with the Chairman, to consolidate bonds with other bonds? Ms. Grande referred to the document “The Bonds authorized by this Resolution may consolidate for the purpose of issuance and sale with any other Bonds of the Authority heretofore or hereafter authorized.” Dr. Santoro asked if this authorizes our borrowing \$105 million and gives us the flexibility to sell bonds as separate series 95/96 or create a separate trust? The problem would be that we're not able to change the terms of the bonds if they're modified – reissuance accelerates the payment of \$2 million. Lee Donner will have to let us know whether to keep or sell the \$57 million in loans remaining that Nelnet was supposed to purchase. The AMBAC piece is resolved, but that is not in writing yet, and Colorado has the same issue with AMBAC. Karen Grande will be speaking with Colorado on Monday. Dr. Santoro stated that we should retain flexibility for now, and go out with the \$105 million or we won't be able to make any loans. As it is we might not have enough money for loans by next summer.

A motion was made by Dr. Croasdale, and seconded by Dr. McKenna, it was unanimously

VOTED to authorize the issuance of new bonds not in excess of \$105 million.

Action Item #9

Bond Issue Budget – issuance of new bonds under the 1995 and 1996 trust indentures

Mr. Simpson stated that the underwriting costs for the Citigroup bond issue would be \$352,000. Rating agencies expenses should be about \$50,000 lower than showed earlier this week. Mr. Simpson asked the Board to approve the budget for both the \$95 million and \$105 million bond issues to be approved. Dr. Santoro asked if the terms of cost rate of interest would be changed from 3.7% to 1.7%. Mr. Kelley stated that the savings would be approximately \$1.3 to \$1.4 million per year for a number of years. Dr. Santoro stated that this does not include the cost of buying out AMBAC.

On a motion made by Dr. McKenna, and seconded by Dr. Croasdale it was unanimously

VOTED to approve the proposed budget of \$602,000 for the bond issuance.

Item #10

Update on SWAP/Derivative policy development

Xay gave everyone information about the SWAP policy from RI Housing. Joe Palumbo will be working with the finance subcommittee on this issue. RISLA has never done a SWAP policy but there is potential in the future to have one.

Item #11

Presentation on Student Loan Costs & Spread Analysis

Chad and David Souto gave information about the perspective on revenue side on federal loans. Dr. Santoro stated that RISLA will not be making much money in the future on these. Mr. Souto gave an overview of the new imaging procedures.

Item #12

Investor Presentation & Dissemination Strategy

Mr. Kelley talked about doing what the underwriters are not doing for us – talking to investors. RISLA needs to do this to get the word out and market our bonds, perhaps a “road show”. Both Mr. Kelley and Mr. Simpson are working on this.

Action Item #13

Issue RFP for private loan servicing

Mr. Kelley stated that the alternative loans by Granite State are coming to a close, and we need to go out to bid on this every few years. This is not an action item, just for general information.

Discussion ensued about meeting again on June 20, 2008 around the bond issue complications. RIHEAA has tentatively set a meeting on that same date at 9:00AM, so it was proposed that the RISLA Board meet at 10:30AM that day.

ON MOTION duly made by Dr. Croasdale and seconded by Dr. McKenna, it was unanimously

VOTED to adjourn.

Adjournment occurred at 11:44A.M.

John Howell

Secretary